Evaluation Summary

Green and affordable Housing finance in India – SUNREF programme with NHB

Country: India	Sector: Housing finance

Evaluator: ECORYS
Date of the evaluation: April 2025

Key data on AFD's support

Projet number: CIN1021

Amount: EUR 100m credit line + EUR 12m grant (EU);

Disbursement rate: 99%

Signature of financing agreement: July 2017

Completion date: 2022

Total duration: 6 years

Context

The SUNREF India programme emerged during a critical period in India's urban development, with estimates suggesting that 70% of India's 2030 building stock was yet to be constructed. This presented a significant opportunity to influence the environmental impact of India's massive urban transformation while addressing pressing affordable housing needs.

Actors and operating method

The programme comprised :
- a Credit Facility of EUR 100M lent by AFD to be used by NHB to provide loans to local Housing Finance Companies (HFCs) and/or commercial banks which then further on-lend funding to public or private project developers in the green housing sector and to households (HH) for the purchase of green-certified affordable homes.
- an Investment Grant of EUR 9M (later amended to 9.85M) financed by the EU and provided to NHB as an investment grant to reduce costs for accession to the green housing market
- A technical assistance (TA) grant of EUR 3M (later amended to 2.15M) to enhance the capacities of NHB / private and public stakeholders in elaborating and implementing green housing schemes. A consulting firm was recruited to support NHB in implementing the programme as well as capacity building and communication activities.
- The NHB also signed a MoU with two local green rating agencies for support on identifying green rated housing projects.

Objectives

SUNREF India aimed to promote green affordable housing. Implemented by the National Housing Bank (NHB) from 2017 to 2022, the programme sought to integrate environmental sustainability with social inclusion in India's rapidly evolving housing sector.

Expected results

The expected results of the Programme were the following:

- Greater awareness, financing, and demand for green affordable housing in NHB, Primary Lending Institutions, (PLI) real estate developers, contractors, and the general public;
- Improved knowledge, skills, and resources within NHB and other financing actors to assess, finance, and promote green housing projects;
- NHB and PLIs have systems and financial instruments in place that offer demonstrably Improved access to green housing finance particularly for middle and lower income households;
- Households' access to green certified housing, with at least 50% of households classified as economically weaker section (EWS) or low-income group (LIG) households
- SUNREF green housing units offer a decrease in the consumption of water, electricity and in carbon emissions

Performance assessment

Relevance & coherence
The Programme design aligned well with government policies on urban development and climate action. demonstrated reasonable alignment with existing initiatives and stakeholder objectives. The programme aligned well with NHB's mandate and operational approach as an apex institution for housing finance. Environmental and social safeguards were also appropriately designed.

Effectiveness
The implementation of SUNREF India, however, faced challenges limiting its effectiveness, mainly because of the refinancing approach which was eventually adopted, along with the onset of COVID-19 crisis.

The programme achieved its revised numerical targets for economically weaker section (EWS) & low-income group (LIG) participation (57%) and female ownership (54%), but these outcomes primarily reflected existing market patterns in affordable housing rather than programme innovation. However, SUNREF stands as one of the first donor-funded initiatives in India to explicitly combine green and affordable housing objectives.

Primary Lending Institutions (PLI) borrowing interest rates became uncompetitive after Reserve Bank of India's (RBI) COVID-related rate reductions, eventually necessitating fund blending and limiting participation from commercial banks that control approximately 67% of India's housing finance market. The concentration of disbursements between just two PLIs limited broader market engagement and created regional disparities in implementation. Only 2.4% of the final beneficiaries demonstrate verified interest rate subvention, based on the maximum applicable interest rate cap under the program.

Environmental impact claims were based on empirical estimates rather than actual measurements, with no mechanisms established to verify ongoing performance of green features.

Technical assistance effectiveness was limited by significant staffing gaps, including nearly two years without a team leader, and the absence of follow-up mechanisms to verify outcomes.

Efficiency
The programme demonstrated adaptability, particularly in response to COVID-19 challenges, through streamlining reporting processes and adopting digital delivery platforms. Coordination mechanisms were formally established but faced challenges, particularly in stakeholder communication and knowledge management. Limited engagement with state-level authorities and other governmental entities constrained policy influence and coordination with complementary initiatives.

Environmental and Social Management System (ESMS) implementation became largely procedural given the refinancing approach, with checklists documenting existing conditions rather than influencing development practices and new construction.

Impact & sustainability
The programme's impact on transforming the green affordable housing sector showed mixed results. Direct attribution of environmental impact is problematic as properties were already constructed and occupied before the programme's involvement through refinancing.

One PLI's success in securing USD 218 million in international green financing represents a positive outcome, suggesting the programme helped establish credibility in this market segment. However, there was limited evidence of policy influence or change in practices among housing boards, development authorities, or other governmental entities.

The absence of systematic follow-up mechanisms to verify outcomes from training and promotional activities makes it difficult to assess sustained changes in institutional capacity.

Conclusions and lessons learnt

The evaluation offers several recommendations for future green affordable housing initiatives:

Programme Design
Future programmes should conduct comprehensive market analysis before establishing interest rates and financial structures, with automatic adjustment mechanisms linked to market indicators. They should develop a robust Activity Logic framework with clear causal pathways, explicit assumptions, and detailed monitoring protocols.

A balanced approach between supply-side interventions and demand-side understanding is needed, through systematic research into target beneficiary preferences and constraints. Additionally, robust systems for measuring actual environmental benefits should be established rather than relying on empirical estimates.

Technical Support Framework
Technical assistance should be grounded in systematic needs assessment rather than predetermined allocations. Knowledge management systems should be strengthened to ensure institutional memory retention, including standardized documentation protocols and clear handover procedures.

Impact monitoring frameworks should move beyond activity tracking to measure outcomes, including baseline data collection and regular impact assessment.

Implementation Architecture
Strong stakeholder coordination and clear communication pathways across the entire stakeholder chain should be prioritized. Standardized data collection and reporting formats should be established with regular verification mechanisms and clear protocols for tracking blended funding impacts.

Strong coordination with green rating agencies throughout the project lifecycle, including information sharing and coordinated monitoring, is essential.

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